

# Harborough District Council

## Report to the Audit & Standards Committee 24 April 2024



<b>Report Number:</b>	
<b>Title:</b>	<b>External Audit (Grant Thornton): HDC Audit progress report and sector updates</b>
<b>Status:</b>	Public
<b>Key Decision:</b>	No
<b>Report Author:</b>	Mr Clive Mason. Director; Finance, ICT and Assets <i>On behalf of Helen Lillington, Director, Public Sector Audit, Grant Thornton UK LLP</i>
<b>Portfolio Holder:</b>	Cllr Mark Graves
<b>Appendices:</b>	Appendix 1: Grant Thornton: HDC Audit progress report and sector updates (26 March 2024). Appendix 2: Grant Thornton: Sector Update and Director of Resources (& S.151 Officer) Commentary

### Executive Summary

Grant Thornton UK LLP were appointed the Councils external auditor as of April 2023, with 2023/24 will be their first year's audit of the Councils Annual Financial Report (financial statements). It is therefore opportune for the external auditor to provide an update on progress of the audit of the accounts, value for money and other items that they consider pertinent to brief Audit & Standards Committee members.

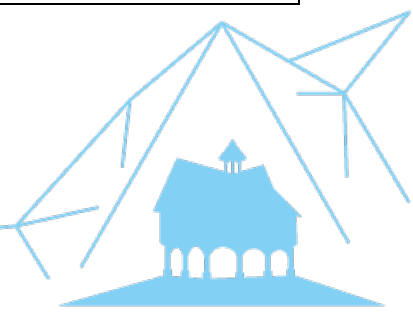
### Recommendations

**The committee considers the Audit progress report and sector update (Appendix 1) and comments as it considers necessary.**

### Reasons for Recommendations

It is essential that "those charged with governance" have an opportunity to consider and comment as they consider necessary on the external auditor's:

- progress in respect of the 2023/24 audit of the financial statements, and
- other issues that the auditor considers the committee should consider.



## 1. Purpose of Report

- 1.1 To update members on the progress of Grant Thornton UK LLP, the Councils external auditor in respect of the year ending 31 March 2024 and other matters as the external auditor considers necessary.

## 2. Background

### External Audit

- 2.1. As per audit regulations, the Council is required to have its accounts audited on an annual basis. Following the recent national procurement conducted by Public Sector Audit Appointments (LGA); Grant Thornton UK LLP are the Councils designated external auditor.

## 3. Detail

- 3.1 The following paragraphs summarise the main items included within the progress and update.

### Financial Statements Audit

- 3.2 Since January 2024 the external auditor has held initial discussions with the Councils finance team to plan the audit of the 2023/24 financial statements. At this time, the external auditor has not been able to issue a full audit plan due to operational constraints within the finance team – primarily due to staff engagement in budget setting, finalisation of 2022/23 external auditor queries, and residual bedding-in issues to the recently implemented finance system.
- 3.3 In respect of likely risks, these include:
- **Management override of controls**; effectively seeking reasons and justifications where management may have overridden financial controls.
  - **Valuation of land and buildings**; the Council holds onto a number of assets, which have a considerable value. These assets are revalued on an agreed basis and these valuations, which are an estimate, have to be assessed for reasonableness.
  - **Pension fund valuation**; in a similar vein to land and buildings, each year the council's element of the pension fund is revalued. Again, this estimate has to be assessed for reasonableness.
  - **Data migration and new financial system implementation**; the Council went live with a new financial system in the Autumn of last year. The transition of balances needs to be verified along with assurance on the controls and procedures relating to the new system to provide assurance on the effectiveness of the system control framework.
  - **Harborough District Commercial Services (HDCS Ltd)**; the auditors will need to seek assurance from the auditors of HDCS Ltd on balances.

## Value for Money

- 3.4 The external auditors will review the Councils arrangements in respect of governance and improving economy, efficiency, and effectiveness. This work is expected to be completed by 31 December 2024.

### **Fees for audit**

- 3.5 The proposed audit fee for 2023/24 is £128k and can be met from within the current external audit fees budget.

### **Sector Update**

- 3.6 Grant Thornton provide the local authority sector with updates relating to emerging national issues and developments. The auditors report addressed 7 issues, these are summarised in Appendix 2, with a commentary from the Director of Resources (& s.151 Officer).

## **4. Implications of Decisions**

- 4.1. **Corporate Priorities**; the audit of the Councils financial statements provides assurance to the Council in respect of governance and financial stewardship, which directly supports the delivery of the Councils corporate priorities.
- 4.2. **Financial**; there are no direct financial implications arising from this report. There is budgetary provision in respect of the audit fee. However, members must note that the fee stated is “proposed”; there are many factors that may cause or mitigate an increase in fee, some of which are inside the Councils control (i.e. no identified errors or omissions) or challenges by electors.
- 4.3. **Legal**; there are no direct legal implications arising from this report. The relevant statutory provisions relating to the audit are noted within the main body of the report.
- 4.4. **Policy**; there are no direct policy implications arising from this report.
- 4.5. **Environmental Implications including contributions to achieving a net zero carbon Council by 2030**; there are no direct environmental implications arising from this report.
- 4.6. **Risk Management**; there are no direct risk management implications arising from this report. However, members must note that the audit approach is “risk-based” and this is discussed within the main body of the report.
- 4.7. **Equalities Impact**; there are no direct equalities implications arising from the report.
- 4.8. **Data Protection**; there are no direct data protection implications arising from the report.

## **5. Summary of Consultation and Outcome**

- 5.1 The external auditors have consulted with the Councils s.151 and Deputy 151 officers in the development of this progress report; this report is the auditor’s consultation with “those charged with governance”.

## **6. Alternative Options Considered**

6.1 No alternative options considered as none are appropriate.

**7. Background papers**

7.1 None